

**Nowata County Rural Water District No. 7  
South Coffeyville, Oklahoma**

**Financial Statements  
and Reports of Independent Auditor**

**December 31, 2020**

Audited by

**BLEDSON, HEWETT & GULLEKSON  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

Broken Arrow, OK

**Nowata County Rural Water District No. 7**  
**South Coffeyville, Oklahoma**  
Board of Directors  
December 31, 2020

**BOARD OF DIRECTORS**

**Chairman**

Brandon Kuehn

**Vice-Chairman**

Lisa Cook

**Secretary/Treasurer**

Jimmy Kuehn

**Member**

Ken Andrews

**Member**

Nathan Nolte

**OPERATOR**

Ethan Cummings

**BOOKKEEPER**

Tami Powell

**Nowata County Rural Water District No. 7  
South Coffeyville, Oklahoma**

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**BLEDSON, HEWETT & GULLEKSON**  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA  
Christopher P. Gullekson, CPA

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Nowata County Rural Water District No. 7  
South Coffeyville, Oklahoma

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Nowata County Rural Water District No. 7 (the District), South Coffeyville, Oklahoma, as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as

evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

The District has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The prior year "memorandum only" comparative information and the supplementary information on page 14 are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

April 25, 2021



**BLEDSON, HEWETT & GULLEKSON**  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Nowata County Rural Water District No. 7  
South Coffeyville, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Nowata County Rural Water District No. 7 (the District), South Coffeyville, Oklahoma, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in the internal controls that we considered to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial

statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 20-1, to not be a material weakness.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

April 25, 2021

**Nowata County Rural Water District No. 7**  
**South Coffeyville, Oklahoma**  
Disposition of Prior Year's Significant Deficiencies  
December 31, 2020

19-1 – Lack of Segregation of Duties

Condition-

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Status-

There are no changes at this time.



**Nowata County Rural Water District No. 7**  
**South Coffeyville, Oklahoma**  
Schedule of Audit Results  
December 31, 2020

**Section 1 – Summary of Auditor’s Results:**

1. An unmodified opinion report was issued on the financial statements.
2. The audit disclosed a significant deficiency in the internal controls, which was not considered a material weakness.
3. The audit disclosed no instances of noncompliance which were material to the financial statements.

**Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:**

**20-1 – Lack of Segregation of Duties**

**Condition-**

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

**Criteria-**

An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

**Cause-**

The District is not large enough to justify the hiring of additional personnel.

**Effect-**

There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

**Recommendation-**

The current procedures should not be changed. However, there should be additional personnel instilled into the collection, receipt, deposit, reconciliation and payment procedures when this becomes economically possible.

**Response-**

Additional personnel will be hired when the actual funds are available.

**NOWATA COUNTY RURAL WATER DISTRICT NO. 7**  
**South Coffeyville, Oklahoma**  
**Statement of Net Position**  
**December 31, 2020**

	December 31,	
		-Memorandum-
	2020	-Only- 2019
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 230,462	150,592
Investments	125,000	120,807
Accounts of receivable	41,102	44,974
Prepaid insurance	1,752	2,163
Total current assets	<u>398,316</u>	<u>318,536</u>
Capital assets:		
Building and water systems, net of depreciation	<u>641,065</u>	<u>704,884</u>
<b>Total Assets</b>	<b><u>\$ 1,039,381</u></b>	<b><u>1,023,420</u></b>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable	\$ 10,151	13,017
Fire protection payable	1,352	1,335
Total current liabilities	<u>11,503</u>	<u>14,352</u>
Total Liabilities	<u>11,503</u>	<u>14,352</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	641,065	704,884
Unrestricted	<u>386,813</u>	<u>304,184</u>
Total Net Position	<u>1,027,878</u>	<u>1,009,068</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,039,381</u></b>	<b><u>1,023,420</u></b>

The accompanying notes to the financial statements are an integral part of this statement

**NOWATA COUNTY RURAL WATER DISTRICT NO. 7**  
**South Coffeyville, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>2020</u>	<u>-Memorandum- -Only- 2019</u>
<b>Operating Revenues:</b>		
Water sales	\$ 361,582	344,219
Other sales	5,587	678
Total revenues from operations	<u>367,169</u>	<u>344,897</u>
<b>Operating Expenses:</b>		
Water purchases	154,534	137,154
Water operator	81,483	69,036
Depreciation	63,819	64,657
Repairs and maintenance	20,618	7,202
Supplies	14,095	14,291
Office contract labor	13,000	11,051
Contract labor	14,750	14,813
Insurance	4,588	4,611
Professional fees	0	2,745
Utilities	11,785	13,663
Trip fees, returned checks & transfers	0	2,411
Dues and fees	270	1,486
Office supplies & postage	5,491	2,233
Water test	4,784	2,142
South Coffeyville fire dept	16,167	11,612
Miscellaneous expense	10,651	413
Total expenses from operations	<u>416,035</u>	<u>359,520</u>
Excess (deficit) of operating revenues over operating expenses	(48,866)	(14,623)
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	2,676	2,357
Cherokee Nation reimbursement	55,000	0
Benefit units	10,000	8,000
Total non-operating revenues (expenses)	<u>67,676</u>	<u>10,357</u>
Change in Net Position	18,810	(4,266)
Total Net Position, Beginning of Period	<u>1,009,068</u>	<u>1,013,334</u>
Total Net Position, End of Period	<u>\$ 1,027,878</u>	<u>1,009,068</u>

The accompanying notes to the financial statements are an integral part of this statement

**NOWATA COUNTY RURAL WATER DISTRICT NO. 7**  
**South Coffeyville, Oklahoma**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

	<u>2020</u>	<u>-Memorandum- -Only- 2019</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 371,041	346,056
Payments to vendors	<u>(354,654)</u>	<u>(305,139)</u>
Net Cash Provided by Operating Activities	<u>16,387</u>	<u>40,917</u>
<b>Cash Flows from Investing Activities:</b>		
Interest revenue	<u>2,676</u>	<u>2,357</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Issuance of benefit units	10,000	8,000
Reimbursement from Cherokee Nation	<u>55,000</u>	<u>0</u>
Net Cash Provided by Capital and Related Financing Activities	<u>65,000</u>	<u>8,000</u>
Net Increase (Decrease) in Cash	84,063	51,274
Cash and cash equivalents, beginning of period	<u>271,399</u>	<u>220,125</u>
Cash and cash equivalents, end of period	<u><u>\$ 355,462</u></u>	<u><u>271,399</u></u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income (loss)	\$ (48,866)	(14,623)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	63,819	64,657
(Increase) decrease in accounts receivable	3,872	1,159
(Increase) decrease in prepaid insurance	411	(547)
Increase (decrease) in payables	(2,866)	(9,514)
Increase (decrease) in fire protection payable	<u>17</u>	<u>(215)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 16,387</u></u>	<u><u>40,917</u></u>

The accompanying notes to the financial statements are an integral part of this statement

**Nowata County Rural Water District No. 7**  
**South Coffeyville, Oklahoma**  
Notes to the Financial Statements  
December 31, 2020

**Note A – Significant Accounting Policies**

Nowata County Rural Water District No. 7 (the “District”) was created under the provision of Title 82, Oklahoma Statutes, Section 1324.1 – 1324.26 inclusive, for the purpose of providing water to the members of the district it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The District is exempt from federal and states income taxes.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has converted their financial statements to comply with GASB Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes new financial reporting requirements for state and local governments throughout the United States.

Cash

The District’s accounts are with the Welch State Bank Welch, Oklahoma and at December 31<sup>st</sup>, are detailed as follows:

	December 31,	
	2020	2019
Operating account - Welch State Bank	\$ 230,320	150,075
Debit account - Welch State Bank	142	644
Less: Outstanding checks	-	(127)
Deposit in transit	-	-
Total	<u>\$ 230,462</u>	<u>150,592</u>

The District’s cash deposits at December 31, 2020, are categorized to give an indication of the level of risk assumed by the District at year-end.

**Nowata County Rural Water District No. 7**  
**South Coffeyville, Oklahoma**  
Notes to the Financial Statements  
December 31, 2020

**Note A – Significant Accounting Policies – cont’d**

Investments – Investments at December 31, 2020 are detailed as follows:

*Certificates of Deposit:*

Welch State Bank, Welch, Oklahoma:  
Certificate of Deposit No. 20781, dated 11-2-20,  
due 11-2-21, @ .20% \$ 125,000

Deposit Categories of Credit Risk:

- (A) Insured by Federal Deposit Insurance (\$250,000)
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name
- (C) Uncollateralized

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 230,462			230,462	230,462
Investments	125,000			125,000	125,000
Total	<u>\$ 355,462</u>	<u>0</u>	<u>0</u>	<u>355,462</u>	<u>355,462</u>

Accounts Receivable

Billings for accounts receivable at December 31, 2020 were \$41,102. Allowance for doubtful accounts was computed as a percentage of the amount collectible at year-end, but the effect of bad debt on the financial statements is not considered material.

Inventories

The District does not carry a significant inventory of materials and supplies. The cost of such items is recorded as an expense when purchased.

**Nowata County Rural Water District No. 7**  
**South Coffeyville, Oklahoma**  
Notes to the Financial Statements  
December 31, 2020

**Note A – Significant Accounting Policies – cont'd**

**Capital Assets**

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital (fixed) asset by the District. Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The capital asset information for this District is shown below:

		12/31/2019		12/31/2020
	Years	Amount	Addition	Amount
Buildings	40	\$ 7,195	-	7,195
Office Equipment	5	14,638	-	14,638
Tower & Pump sites	40	35,066	-	35,066
Plant & Water system	40	2,511,255	-	2,511,255
Total Capital Assets		2,568,154	-	2,568,154
Less: Accumulated				
Depreciation		(1,863,270)	(63,819)	(1,927,089)
Total		<u>\$ 704,884</u>	<u>(63,819)</u>	<u>641,065</u>

**Accumulated Unpaid Vacation and Sick Pay**

At December 31, 2020 no determination of the aggregate dollar value of vacation or sick pay had been made.

**Insurance**

The District had adequate insurance to cover all major perils at December 31, 2020, and has had no significant claims against insurance coverage in the previous three years.

**Subsequent Events**

Management has evaluated subsequent events through April 22, 2021, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**Note B – Long-term Debt**

The District has no outstanding long-term debt.

**Nowata County Rural Water District No. 7**  
**South Coffeyville, Oklahoma**  
Notes to the Financial Statements  
December 31, 2020

**Note C – Memorandum Totals**

Prior year “memorandum only” financial statement information is shown for comparative purposes only.



**NOWATA COUNTY RURAL DISTRICT NO. 7**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**December 31, 2020**

**Water Rates**

Minimum bill	=	\$28.00
0-thereafter	=	\$5.00 per 1,000 gallons

**Water Loss**

	<u>2020</u>	<u>2019</u>
Total gallons purchased	67,300,000	46,190,000
Total gallons sold to District customers	<u>(39,830,571)</u>	<u>(35,758,203)</u>
Total water loss	<u>27,469,429</u>	<u>10,431,797</u>
Percentage of water loss	<u>40.82%</u>	<u>22.58%</u>

**Customers**

The District had 502 customers at the close of the fiscal year.

Current membership fee is \$2,000.



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April 25, 2021

Board of Directors  
Nowata County Rural Water District No. 7  
P.O. Box 159  
South Coffeyville, Oklahoma 74072

Dear Board of Directors:

The following section contains the observations and recommendations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered material or immaterial in nature. They are simply observations of some minor findings that could evolve into immaterial or material findings if not addressed or corrected.

Employment Contracts

We observed during the audit that there were no contracts prepared for district personnel as none were presented for audit. We recommend that contracts be prepared for all personnel, signed by the board and employee each year. If these individuals are classified as "independent contractors", there should be a written contract approved and signed by all parties on a yearly basis.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Eric M. Bledsoe

For

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP